

About OpenSky Policy Institute

The best choices are informed choices. At OpenSky, we work to make sure lawmakers and other leaders have quality data and research to make decisions that help our communities thrive.

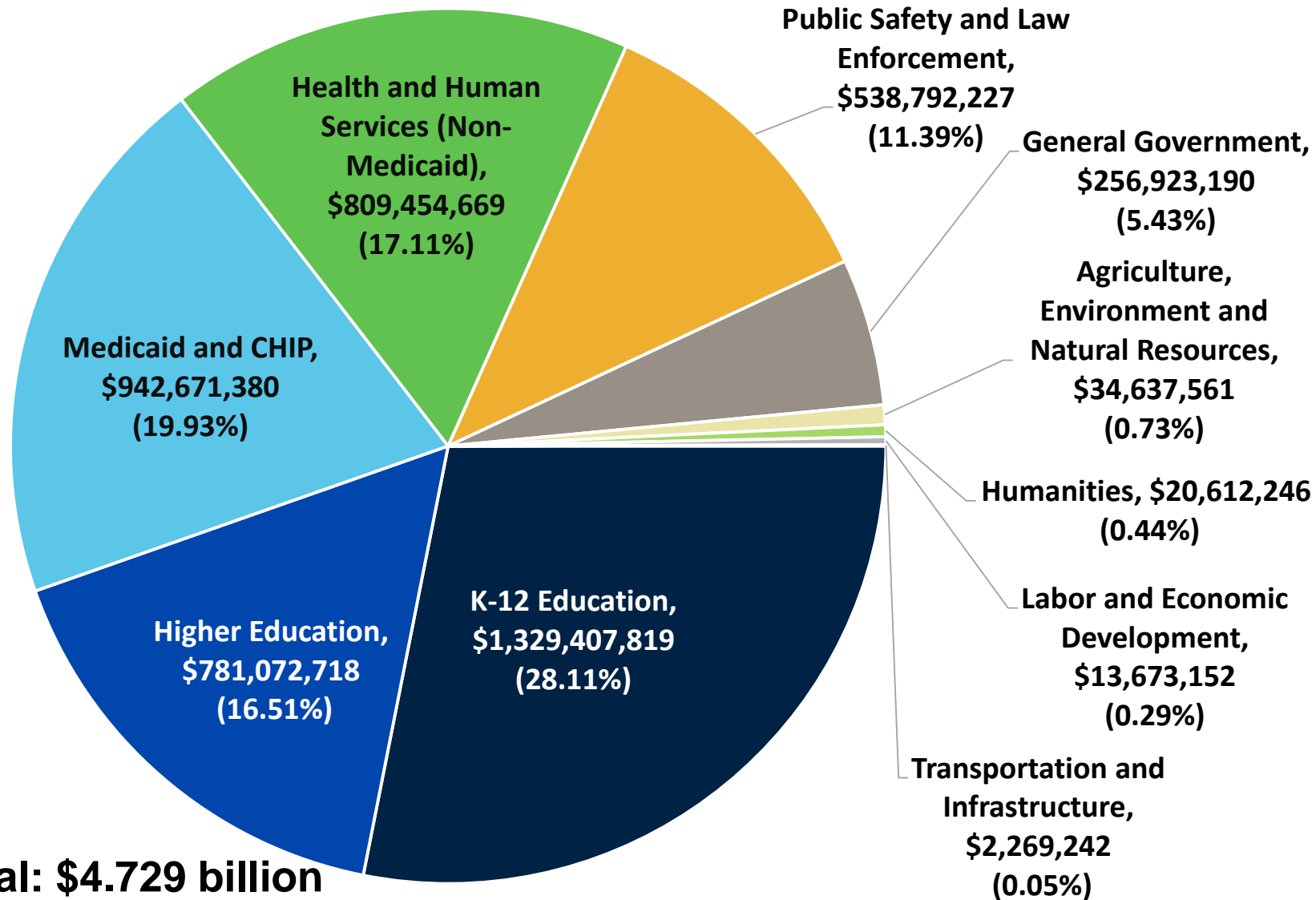
We are **non-partisan** and focus on **tax, budget, and education finance** policy in Nebraska.

Today's Presentation:

- Nebraska budget and tax basics
- Main tax policy discussions in 2020

Education, Health Care Top Spending

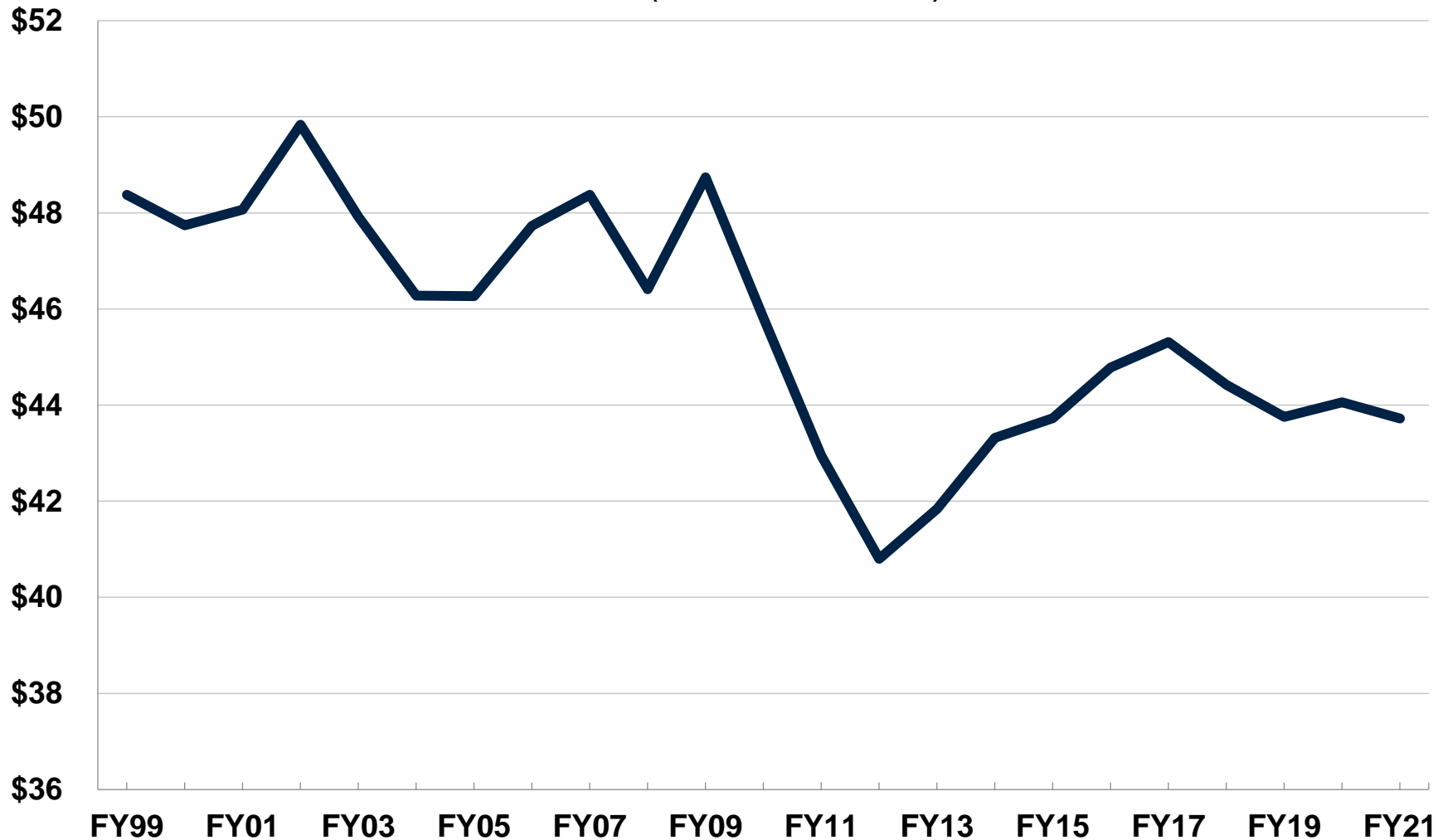
General Fund Appropriations, FY21



Total: \$4.729 billion

Budget Proposal Keeps Budget Relatively Flat as a Share of the Economy

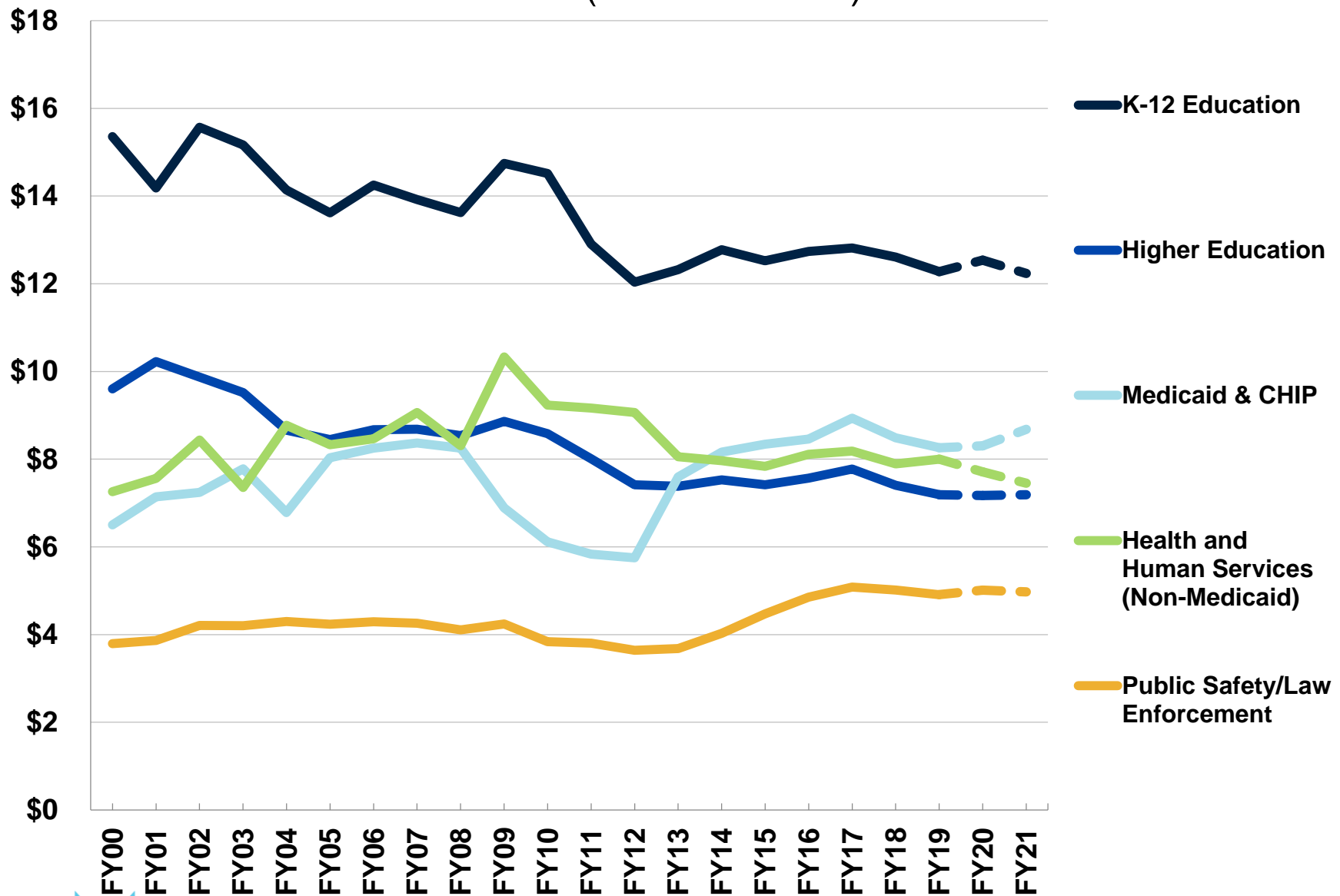
General Fund Appropriations per \$1,000 of NE Personal Income
(FY99 to FY21)



Source: Legislative Fiscal Office, Appropriations Committee Biennial Budget, Executive Budget in Brief.

Appropriations Trends in Major Budget Areas

General Fund Appropriations per \$1,000 of NE Personal Income
(FY00 to FY21)

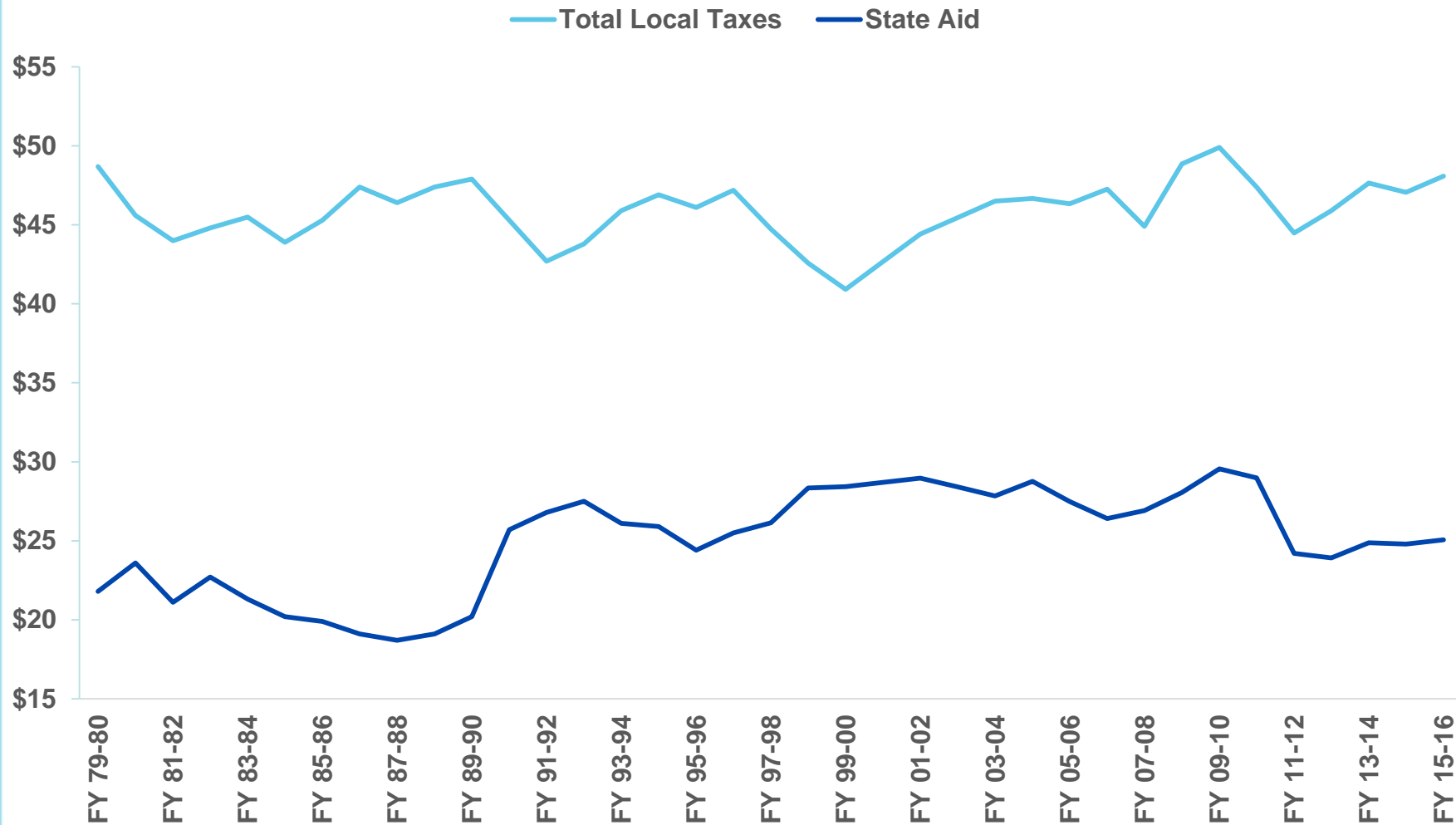


Note; Dashed line represents FY2019-FY 2021 Biennial Budget.

Sources: Legislative Fiscal Office, US Bureau of Economic Analysis, Appropriations Committee.

State Aid and Local Taxes Have Mirrored Each Other

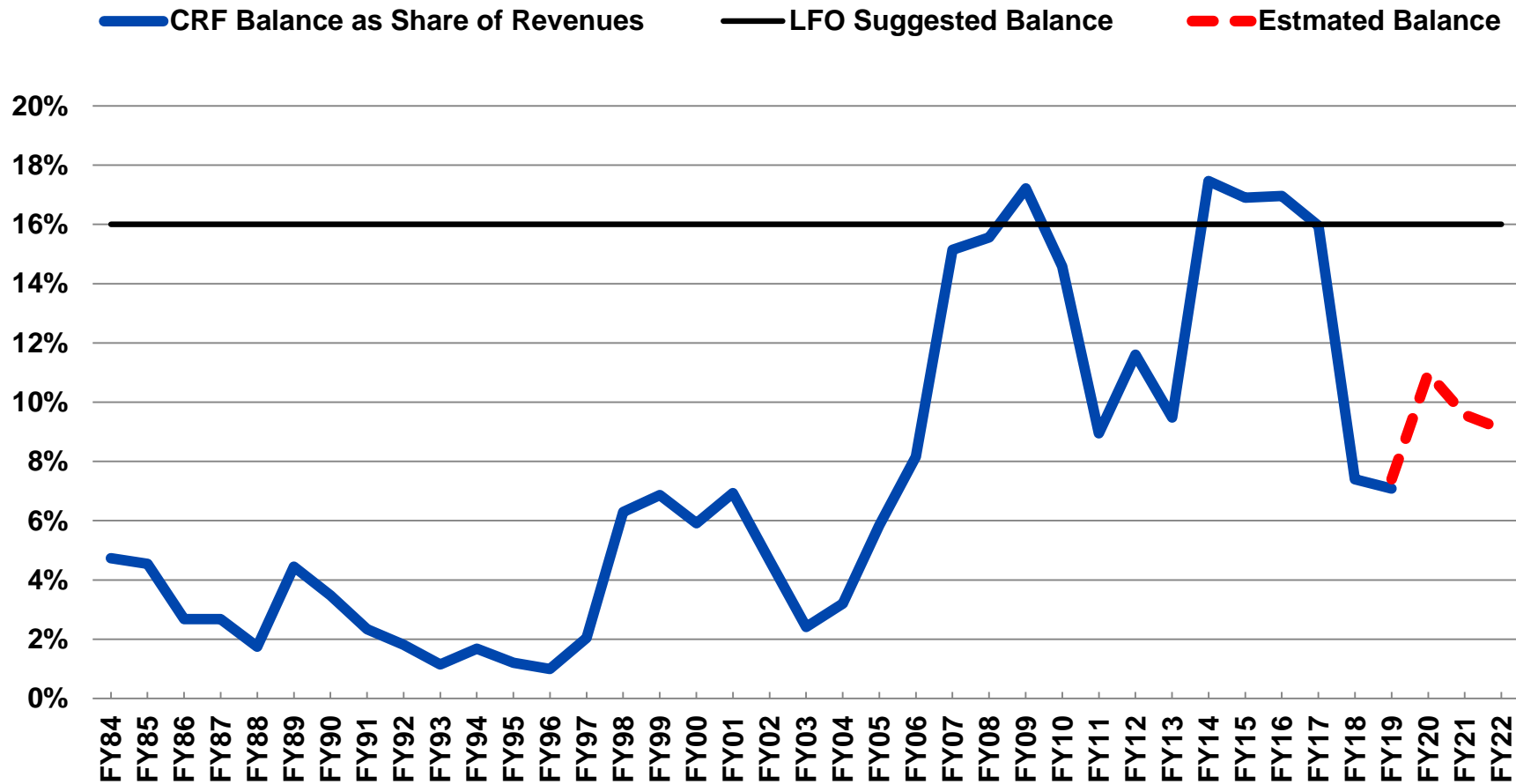
Aid and Taxes per \$1,000 of Nebraska Personal Income



Sources: US Census Bureau; US Bureau of Economic Analysis.

Rainy Day Fund Departing From a Healthy Balance

Cash Reserve Fund Balance as Share of General Fund Receipts, FY84 to FY22



Source: Legislative Fiscal Office: Tax Rate Review Committee Summary, November 2018; Legislative Fiscal Office, State of Nebraska Biennial Budget as Enacted by the 106th Legislature, August 2019

Revenue Challenges

- Ag economy/tariffs; flooding/disaster recovery
- Tax changes since 2006 (\$913M in FY20)
- Tax incentives (spiked in 2013, 2016 and a bit in 2018)
- Base issues (i.e. services, other exemptions)
- Revenue fluctuations due to federal tax changes

Main Tax Discussions in 2020

1. Property tax reductions/reform & eliminating tax expenditures

**-increase ed funding vs. PTCP vs.
sales tax rate reduction**

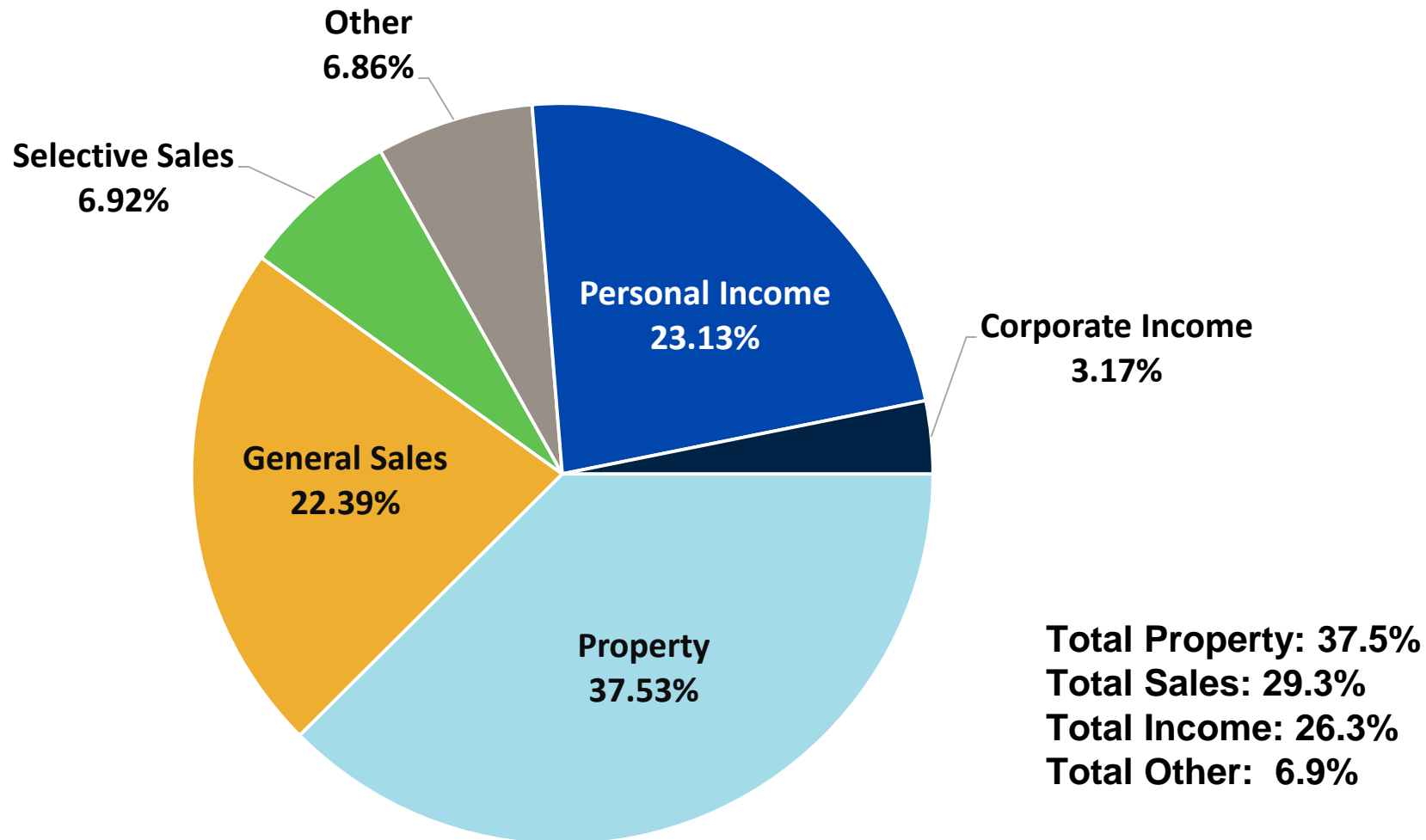
2. Tax incentives

NE not a High Tax or Spending State

2016 Rankings (U.S. Census Bureau)	Per Capita	Per \$1k of Personal Income	Per \$1k GDP
State & Local Taxes	15 th	17 th	27 th
State & Local Spending (Direct Expenditures)	20 th	30 th	38 th
Individual Income Tax	17 th	24 th	30 th
Corporate Income Tax	17 th	19 th	22 nd
Sales Tax	32 nd	39 th	41 st
Property Tax	12 th	10 th	12 th

Nebraska's Three-Legged Stool

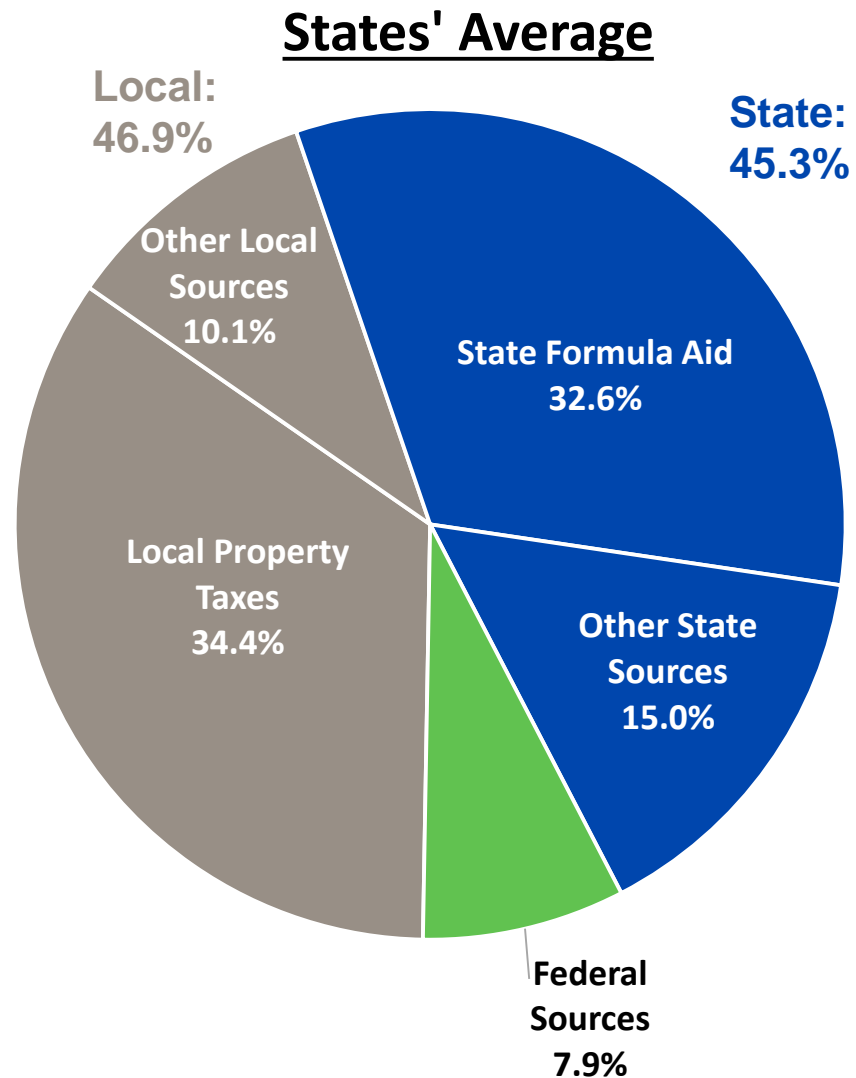
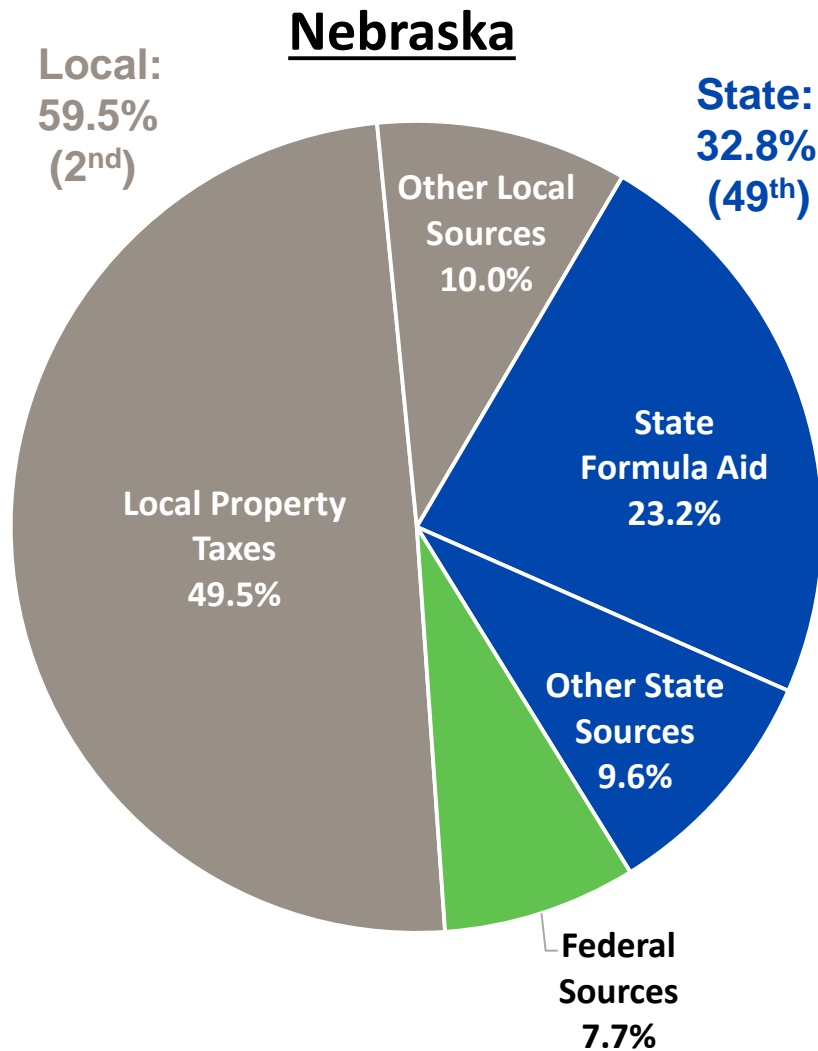
State and Local Taxes by Type, 2016



Balancing the 3-Legged Stool

State and Local Taxes			
	% Actual (2016)	% - Balanced	Difference
Property	37.5%	31.05%	-\$629M
Sales (Includes General + Selective)	29.3%	31.05%	+\$169M
Income (Includes Personal + Corporate)	26.3%	31.05%	+\$461M
Other	6.9%	6.85%	\$0

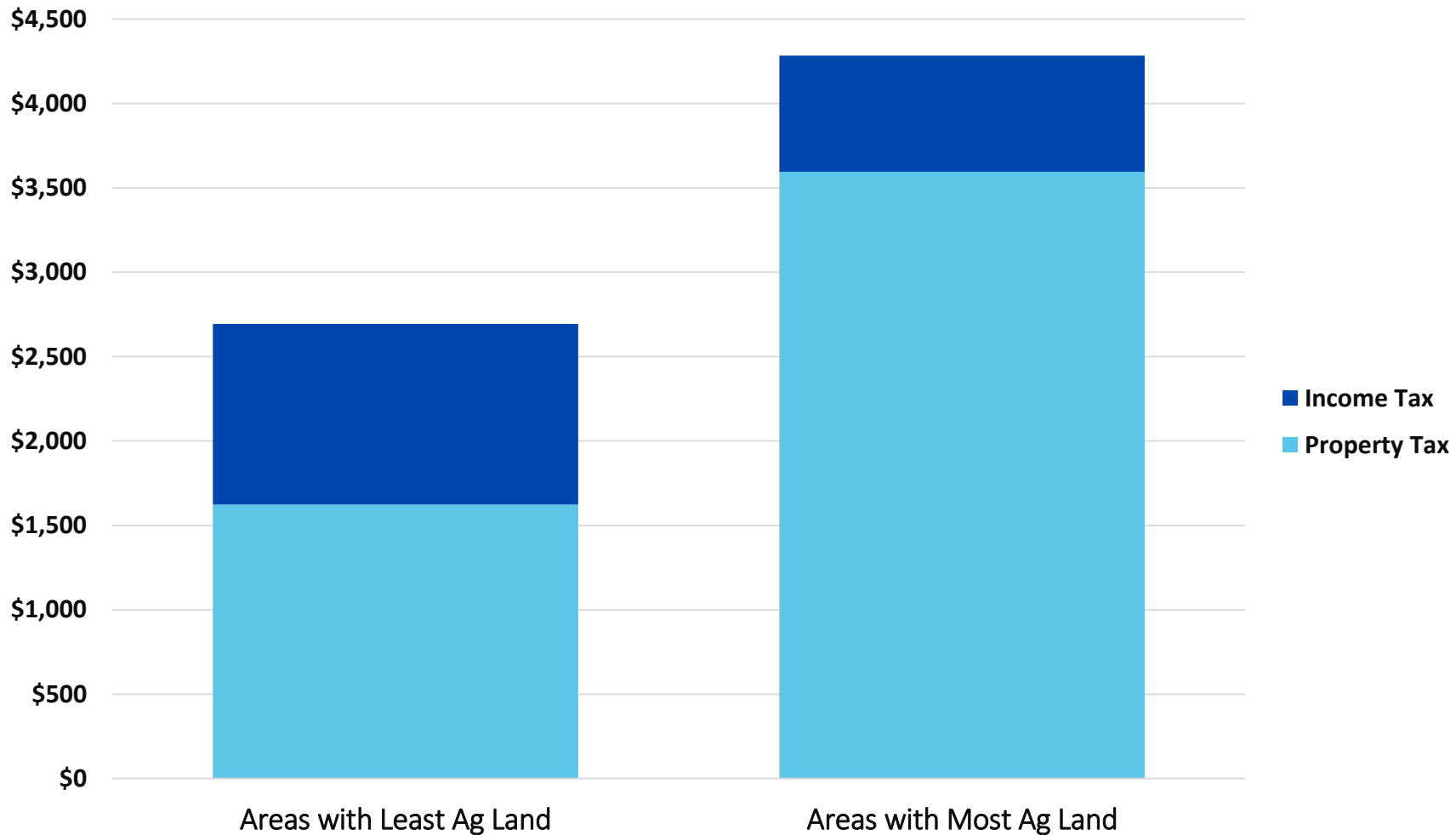
Education Funding: Nebraska vs States' Average



Source: US Census Bureau, 2017 Annual Survey of School System Finances.

Residents in Highly Agricultural Counties Pay More in Taxes

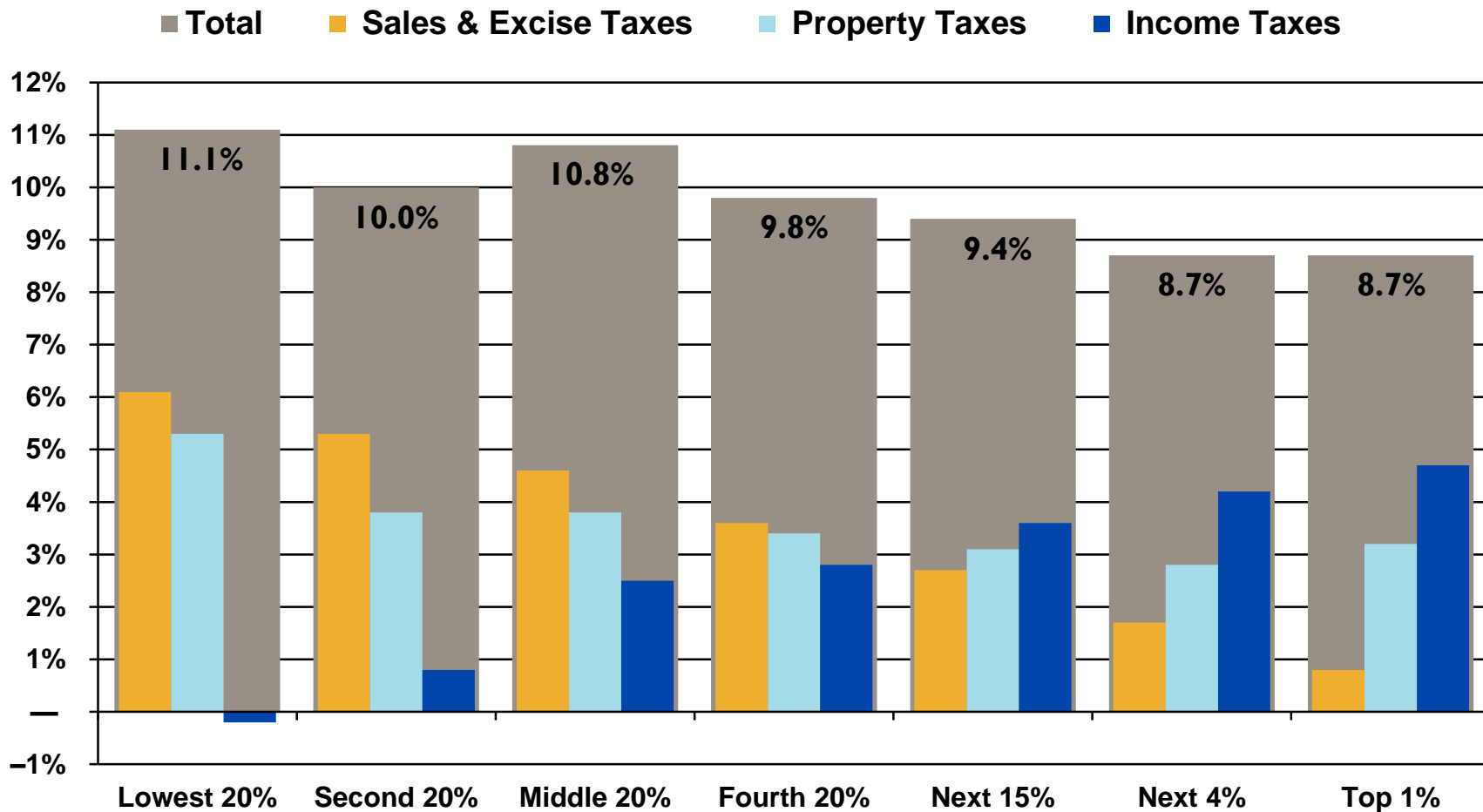
Property and Income Taxes per Person in 2017



Note: Areas with the least ag land are counties where ag land is less than 20% of the total real property valuation, and areas with the most are greater than 60%.

Sources: Nebraska Department of Revenue and US Census Bureau.

Nebraska's Tax System is Regressive



Lower income earning households pay a greater % of income in NE state and local taxes than higher income earning households

Potential 2020 Ballot Initiative

- Creates a refundable income tax credit = 35% of property taxes paid.
- Costs approximately \$1.5B or 32% of the general fund budget.
- Would require increases in other taxes and fees or force deep cuts in state funding for health care, public schools, and roads.
- Potential ballot initiative in 2020

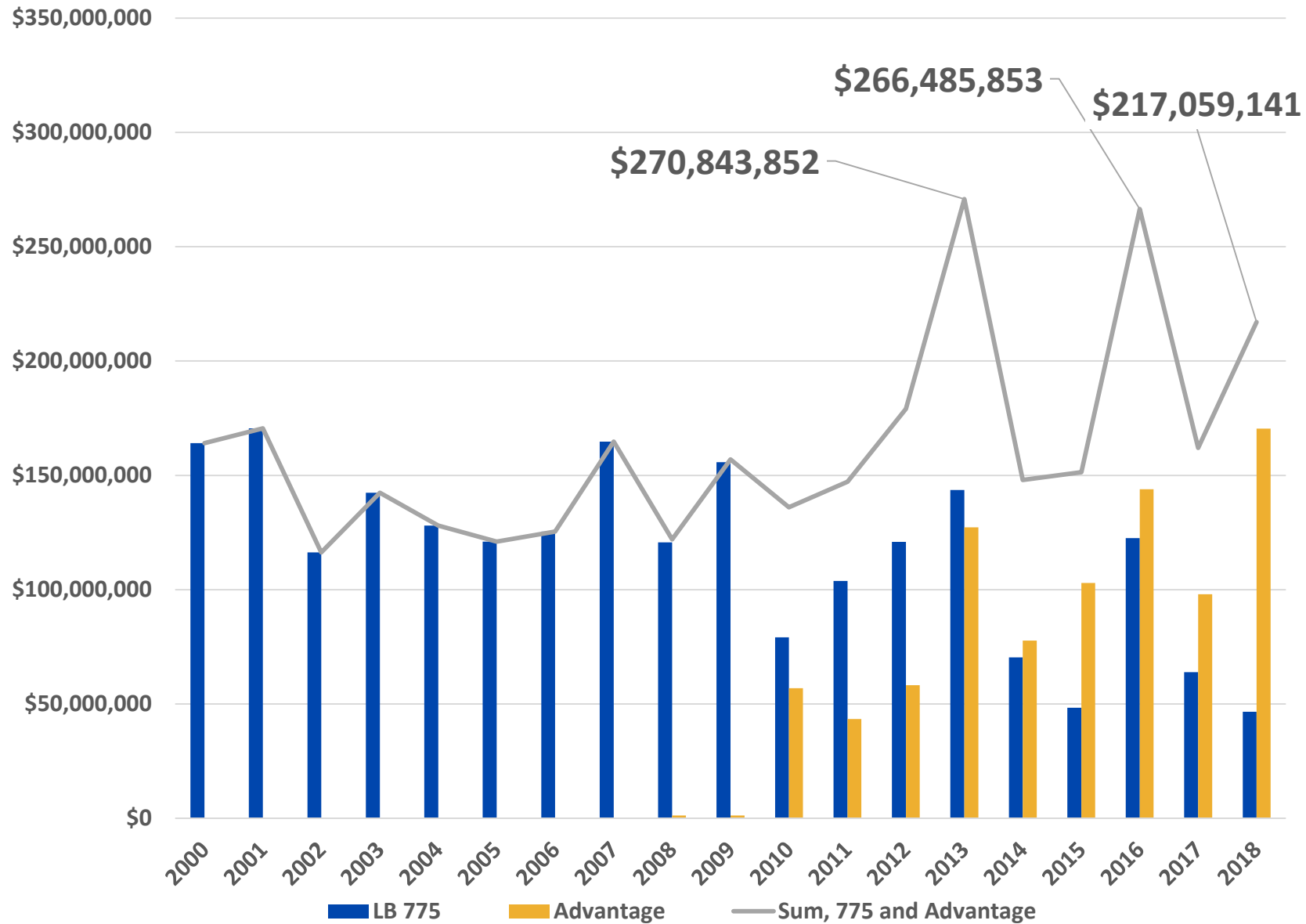
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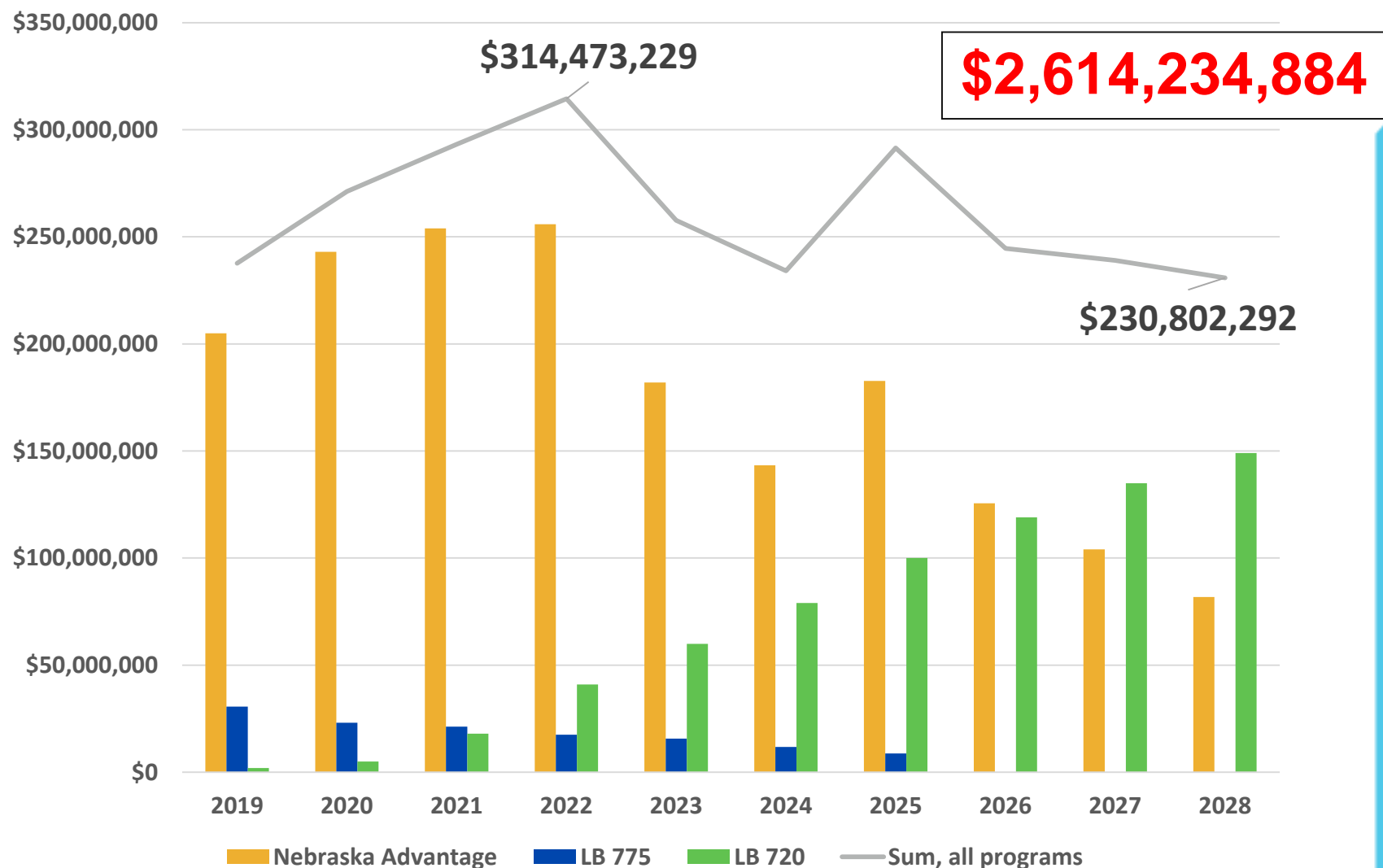
2. Tax incentives

Tax Reductions by Year, LB 775 and Nebraska Advantage



Note: Includes tax credits used, sales and use taxes refunded, and estimated property taxes exempted.
Source: Nebraska Department of Revenue.

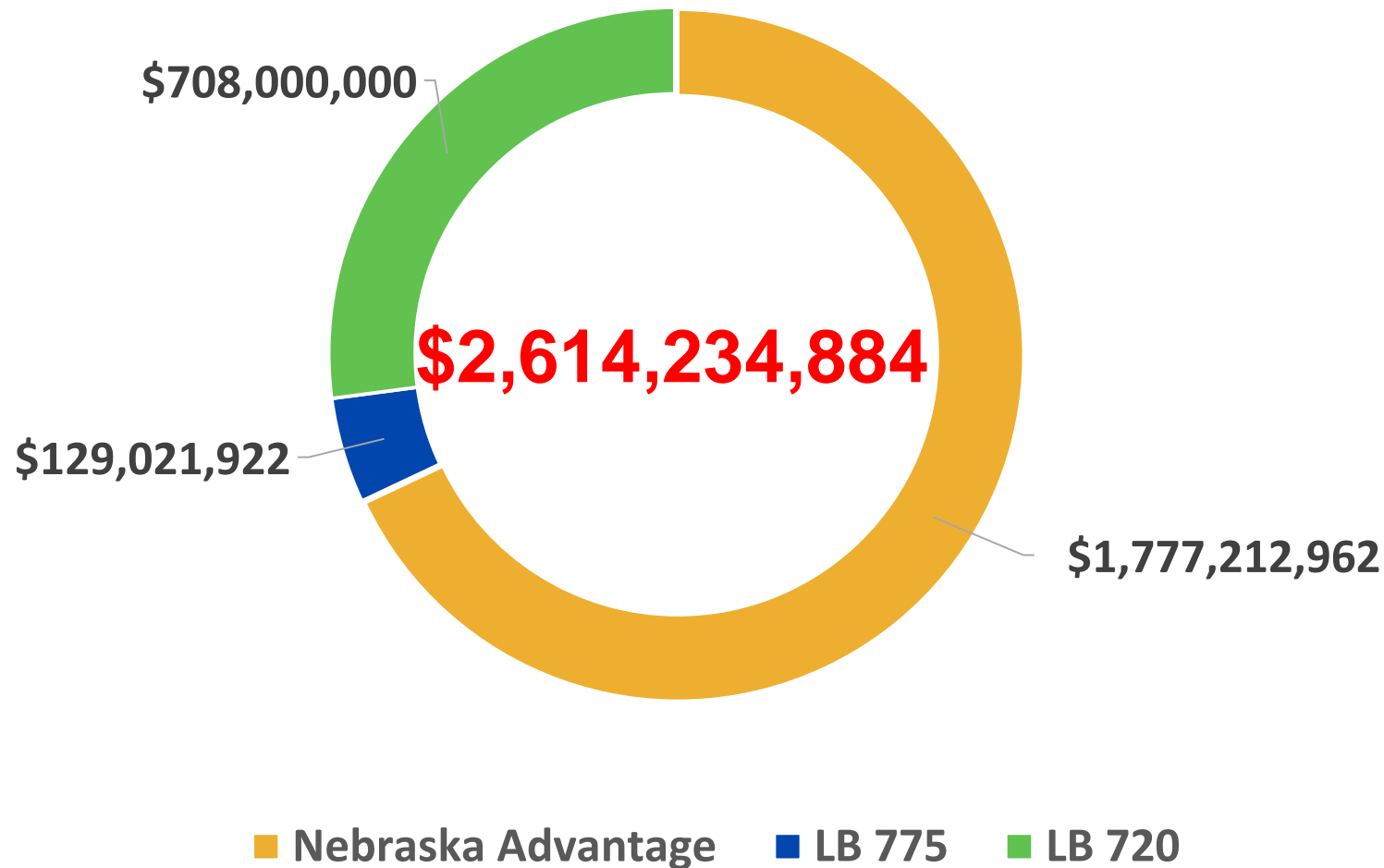
Nebraska's Estimated Tax Incentive Liability, 2019-28



Note: Nebraska Advantage and LB 775 are projected on a calendar year basis; LB 720 on a fiscal year basis.

Sources: Nebraska Department of Revenue and Legislative Fiscal Office.

Nebraska's Estimated Tax Incentive Liability, 2019-28



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